

time after the selection of an application, the Administrator may, upon a request from the borrower and receipt of any documentation the Administrator considers necessary, approve changes in the method of carrying out the purpose of the project as long as the overall purpose of the project remains the same, revise the amount of the zero-interest loan and/or grant, revise the loan maturity date and principal deferment period and make other adjustments. The Administrator may reduce the amount of the RUS loan or grant to reflect reductions in the amount of supplemental funds to be provided to the project. For substantial reductions in amount of supplemental funds to be provided to the project, the Administrator may require the borrower to re-apply for the RUS loan or grant funds.

(d) If state or local governments raise objections to a proposed project under the intergovernmental review process that are not resolved within three months of the Administrator's selection of the application, the Administrator may consider the selection of the application cancelled.

§ 1703.59 Final application processing and legal documents.

(a) After a borrower has submitted all information the Administrator determines is necessary for the selected application, RUS will send the necessary legal documents to the borrower to execute and return to RUS. The legal documents will include a letter of agreement and any legal documents the Administrator deems appropriate, including any loan agreements, notes, security instruments, certifications or legal opinions. The letter of agreement will, among other things, constitute the Administrator's approval of funds for the project subject to certain terms and conditions as determined by the Administrator, and include a project description, approved purposes of the zero-interest loan and/or grant, the maximum amount of zero-interest loan and/or grant, supplemental funds to be provided to the project and certain agreements or commitments the borrower proposed in its application.

(b) The Administrator has the discretion to include as an approved purpose

the reimbursement of short-term financing and expenditures that were used for costs incurred on the project in accordance with § 1703.20(a)(2).

(c) If the borrower fails to submit within one month from the date of the Administrator's selection of an application all of the information that the Administrator determines to be necessary for RUS to prepare legal documents, the Administrator may consider the selection of the application cancelled.

§ 1703.60 [Reserved]

§ 1703.61 Disbursement of zero-interest loan and grant funds.

(a) RUS will disburse zero-interest loan funds to the borrower which must disburse zero-interest loan proceeds to the project for approved purposes in accordance with the legal documents executed by the Administrator and the borrower and applicable RUS regulations. The borrower must make payments on a zero-interest loan as set forth in the legal documents executed by the Administrator and the borrower. The Borrower or project owner's share in the cost of the project must be utilized in advance of RUS zero-interest loan funds, or upon RUS approval, on a pro-rata distribution basis with loan funds during the disbursement period. The Borrower or project owner will not be permitted to provide its contribution at the end of the loan disbursement period.

(b) RUS will disburse grant funds to the borrower which must disburse grant proceeds to the project for approved purposes in accordance with the provisions of 7 CFR part 3015 and 7 CFR part 3016, as appropriate, the legal documents executed by the Administrator and the borrower, and applicable RUS regulations. Prior to the disbursement of grant funds under this subpart, the Borrower will provide evidence of fidelity bond coverage as required by 7 CFR 3015.17. The grant portion of a pass-through zero-interest loan and grant will be disbursed to the Borrower on a reimbursement basis after all other project funds have been utilized and evidence is provided that the project has been completed. Grants to Borrowers for establishment of revolving

loan funds will be disbursed in accordance with § 1703.22 of this subpart.

(c) If the borrower fails to satisfy all conditions, requirements, and terms prerequisite to the advance of zero-interest loan and/or grant funds as set forth in the letter of agreement or other RUS legal documents within 120 days from the date the borrower signs the letter of agreement agreeing and accepting the conditions, requirements, and terms of the RUS zero-interest loan and/or grant, or such later date as the Administrator may approve, the Administrator may rescind the zero-interest loan and/or grant commitment.

(d) During the period between the execution of RUS's legal documents and the disbursement of funds, the borrower must provide the Administrator written notification if the project is no longer viable or the borrower no longer desires a zero-interest loan or grant for the project. After RUS has received the borrower's notification, the Administrator will rescind the commitment.

(e) The borrower must return to RUS all proceeds of the zero-interest loan and/or grant, including any interest earned on the funds being returned, which have not been lent or disbursed by the borrower for approved purposes during the six months following the advance of the loan or grant funds from RUS to the borrower, or such later date as the Administrator may approve. If the project is under the control of the borrower, all proceeds of the zero-interest loan and/or grant must be returned to RUS, including any interest earned on the funds being returned, which have not been expended by the borrower for approved purposes before the first anniversary of the date of the advance of the loan or grant funds from RUS to the borrower, or such later date as the Administrator may approve. Authorization of any extension rests solely within the discretion of the Administrator.

[57 FR 44317, Sept. 25, 1992, as amended at 59 FR 11712, Mar. 14, 1994]

§§ 1703.62–1703.65 [Reserved]

§ 1703.66 Review and other requirements.

(a) RUS will review borrowers receiving zero-interest loans or grants, as necessary, to ensure that funds are expended for approved purposes. Borrowers receiving zero-interest loans or grants must monitor the project to the extent necessary to ensure that the project is in compliance with all applicable regulations, including ensuring that funds are expended for approved purposes. The borrower is responsible for ensuring that disbursements and expenditures of funds are properly supported with certifications, invoices, contracts, bills of sale, or any other forms of evidence determined appropriate by the Administrator and that such supporting material is available, at the borrower's premises, for review by the RUS field accountant, borrower's certified public accountant, the Office of Inspector General, the General Accounting Office and any other accountant conducting an audit of the borrower's financial statements or this rural economic development program. Borrowers will be required to permit RUS to inspect and copy its records and documents that pertain to the project.

(b) The Borrower must require the recipient of a pass-through loan and grant to provide an itemized list to the Borrower that shows the expenditures made on the project for approved purposes, including a certification to that effect. The Borrower will also require the recipient to attach invoices, receipts, bills of sale, and other evidence representing the items on the list of expenditures that at least total the amount of the RUS zero-interest loan and grant. In addition, the Borrower will also require the recipient to furnish a record of itemized receipts showing total project costs in such detail that will permit auditors to establish the RUS funding percentage. RUS's legal agreements will include the terms and conditions that the Borrower must require in its agreement with the recipient of a pass-through loan and grant covering the use and intended schedule of expenditures of the loan funds.